

**TESTIMONY OF
CONGRESSMAN PAUL E. KANJORSKI
BEFORE THE SUBCOMMITTEE ON
HOUSING AND COMMUNITY OPPORTUNITY
OF THE HOUSE COMMITTEE ON FINANCIAL SERVICES
HEARING ON THE EROSION OF COMMUNITIES AND HOME VALUES BY
LEAKING UNDERGROUND STORAGE TANKS
THURSDAY, SEPTEMBER 12, 2002**

Mr. Chairman, I welcome this opportunity to testify before you on an issue that has long been of particular concern to me and the citizens of Pennsylvania that I represent: the issue of leaking underground storage tanks and the effect this contamination has on communities. I commend you, Chairman Oxley, Chairwoman Roukema, Ranking Member Frank, and the entire Committee for arranging this hearing today and for your leadership in reviewing a situation that threatens our environment, endangers public health, and jeopardizes our communities and housing markets.

To address a nationwide problem of leaking underground storage tanks Congress established a prevention, detection, and corrective action program in 1984. In 1986, Congress subsequently created the Leaking Underground Storage Tank Trust Fund to help the Environmental Protection Agency (EPA) and states cover the costs of responding to leaking petroleum tanks where owners fail to do so, and to oversee tank cleanup activities. Since then, we have made much progress in improving the construction of underground storage tanks and in the identification and cleanup of leaking tanks, but several supplementary issues have also emerged. These issues include the public health and economic effects of leaking tanks on affected communities.

The case of a leaking underground storage tank in the Laurel Gardens neighborhood of Hazleton, Pennsylvania found in my congressional district highlights this problem. The situation in Laurel Gardens resulted from a leak in an underground petroleum storage tank at the Tranguch Tire and Auto Service Center. Since its discovery nearly a decade ago, the Pennsylvania Department of Environmental Protection sought to remediate this problem through a variety of initiatives until the EPA stepped in to undertake cleanup in 2000.

Through my own efforts, we have also secured \$25 million from the Coast Guard to abate this problem because the contamination from the Tranguch site had leaked into the Susquehanna River. Under the Oil Pollution Act, the Coast Guard has the authority to address leaking tanks when their pollution contaminates navigable waters. Recently, I was also able to convince the EPA that total replacement of the sewer system in Laurel Gardens was warranted because of the continuing problems of fumes coming into people's homes.

As the EPA continues its work, many residents have continued to express concerns for their health and safety. Benzene, for example, was detected in several homes at levels representing a concern for chronic exposure. Recent studies have also suggested an increased occurrence of benzene-related cancer and higher than average cases of lupus in Laurel Gardens.

Additionally, the contamination has severely reduced home values in the affected community. The homeowners affected by the Tranguch spill, for example, have lost equity built up in their homes because of the pollution. Families, after all, often do not want to purchase a home in an area with known contamination, and this situation suppresses home values. Financial institutions also have concerns about making mortgage and home equity loans in polluted areas because of the contaminated nature of the collateral and difficulties in valuing the property.

The situation in Laurel Gardens has been further complicated by a decision by Luzerne County to provide tax relief for the affected homes by lowering their assessment to zero. With few home sales and no independent means of assessing the value of a home, financial institutions have become hesitant to make mortgage and home equity loans in the affected area. As a result, the residents of Laurel Gardens have found themselves trapped in a situation whereby they cannot sell their homes if they want to move, refinance their mortgage to take advantage of today's low-rate interest environment, or obtain equity loans.

Later today you will hear from several witnesses who have experienced the firsthand effects of this environmental and community problem. Ms. Patricia Tomsho is a resident of Laurel Gardens who has become a leader in calling attention to the neighborhood's plight and fighting for an equitable solution. Additionally, Luzerne County Commissioner Stephan Urban and Pennsylvania State Representative Todd Eachus represent this community and have played instrumental roles in identifying solutions to help the contaminated neighborhood and are very familiar with the economic damages caused by it. I commend all three of them for their leadership on this complicated issue and plan to continue to work with all of them in the future to resolve this long-standing problem.

Despite our collective efforts to address the environmental problems raised by this tank cleanup, however, the residents of Laurel Gardens still remain without true economic recourse. Because of health concerns, some would like to move either temporarily or permanently from the Tranguch spill area. Others would like to obtain equity loans against their property to make long-term purchases, complete home repairs, pay for a child's education, cover medical expenses, or fund a retirement. While a lawsuit is proceeding, recourse is complicated because the party primarily responsible for the contamination is bankrupt, and the degree of responsibility of several nearby small businesses that may have, but mostly did not, contribute to the problem remains unresolved.

Currently, the federal government has no program in place to assist the innocent homeowners affected by leaking underground storage tanks either to temporarily or permanently relocate from their contaminated property, or to guarantee access to home equity loans and mortgage refinances. Well-publicized relocation actions such as Love Canal in New York and Times Beach in Missouri were taken under special federal order or through the Superfund program. Because Superfund specifically excludes petroleum pollution, the residents of contaminated communities like Laurel Gardens have little recourse during the cleanup.

As a result of my concerns, I have drafted and circulated a bill that would amend the Solid Waste Disposal Act to authorize the Department of Housing and Urban Development (HUD) to guarantee loans to homeowners living with the effects of leaking underground storage tank contamination. This legislation represents one potential solution to the economic problems raised by leaking tanks. I look forward to hearing the views of experts on this proposal as well as to learning of other potential resolutions to this dilemma.

The federal program created by my draft legislation would allow homeowners affected by a leaking tank to temporarily leave their property until it is restored, permanently leave property they consider no longer livable, or otherwise obtain a low-interest equity loan up to the fair market value of their property. Delivered by local lending institutions, HUD would guarantee these loans and a special master would oversee the program. Perhaps most importantly, because many of these homeowners have suffered financial harm, the special master would have the authority to forgive the loans made under this program.

The understandable distress, frustration, and fear created by the environmental contamination from leaking underground storage tanks and the associated effects on home values and public health must be addressed. I look forward to advancing a dialogue at the national level today with all interested parties in order to reach a workable and equitable solution to meet the needs of Laurel Gardens and other communities with similar problems.

In closing, Mr. Chairman, thank you again for your leadership on this issue and for the opportunity to testify before you today. I would be pleased to answer any questions that you or others may have.
